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UNITED STATES DISTRICT COURT
NORTHERN DISTRICT OF OHIO
CLEVELAND

IN THE UNITED STATES DISTRICT COURT
FOR THE NORTHERN DISTRICT OF OHIO
EASTERN DIVISION

UNITED STATES OF AMERICA,

) I N F O R M A T I O N

Plaintiff,

)

v.

) CASE NO.

TOWHIDUL HUSSAIN,

1:15 CR 0305

Defendant.

Title 18, Section 371, and Title
26, Section 7206(2), United
States Code

JUDGE ADAMS

GENERAL ALLEGATIONS

The United States Attorney charges:

1. Defendant TOWHIDUL HUSSAIN (“HUSSAIN”) resided in Middleburg Heights, Ohio, in the Northern District of Ohio.
2. On November 1, 2011, HUSSAIN incorporated B1 Tax Service, Inc., d/b/a Liberty Tax, located at 6410 Harvard Ave., Cleveland, Ohio, in the Northern District of Ohio.
3. HUSSAIN operated this tax preparation business under a franchise agreement with Liberty Tax Services, headquartered in Virginia Beach, VA.
4. HUSSAIN had no training or experience in tax return preparation before he purchased his Liberty Tax franchise.
5. Co-Conspirator 1 (“CC-1”) was the Manager of HUSSAIN’s Liberty Tax franchise beginning in or around December 2011.

COUNT 1
(Conspiracy to Defraud the United States, 18 U.S.C. § 371)

The United States Attorney further charges:

6. The factual allegations in paragraphs 1 through 5 of the General Allegations are re-alleged and incorporated by reference in this count, as though fully restated herein.

THE CONSPIRACY

7. From on or about December 1, 2011, the exact date being unknown to the United States Attorney, and continuing through on or about March 19, 2014, in the Northern District of Ohio, TOWHIDUL HUSSAIN and CC-1 did unlawfully, voluntarily, intentionally and knowingly conspire, combine, confederate, and agree together and with each other and with other individuals both known and unknown to the United States Attorney to defraud the United States by deceitful and dishonest means for the purpose of impeding, impairing, obstructing, and defeating the lawful Government functions of the Internal Revenue Service ("IRS") of the Treasury Department in the ascertainment, computation, assessment, and collection of taxes owing.

OBJECTS OF THE CONSPIRACY

8. The objects of the conspiracy were to defraud the United States; to enrich HUSSAIN and CC-1 by filing tax returns containing false, fictitious, and fraudulent claims for tax refunds; to conceal their scheme involving the filing of tax returns with false information; and to conceal the monies they received from their activity.

MANNER AND MEANS

9. The manner and means by which the conspiracy was carried out in the Northern District of Ohio, Eastern Division, and elsewhere, included the following:

10. In or around December 2011, HUSSAIN hired CC-1, who had prior experience in tax preparation, to manage his Liberty Tax franchise. CC-1 was responsible for assisting HUSSAIN with its daily operation and agreed to help teach HUSSAIN what she knew about the tax preparation business.

11. Shortly after HUSSAIN hired CC-1, she showed HUSSAIN how to add false information to tax returns in order to artificially inflate his clients' tax refunds. CC-1 informed him that she had done this for clients at her prior employer, that it would grow his tax preparation business, and increase his commissions.

12. In order to artificially increase his client's tax refunds, HUSSAIN and CC-1 inflated the federal income tax withholding amounts, and in some cases added fictitious federal income tax withholding on Forms 1099 to HUSSAIN's Liberty Tax clients' income tax returns.

13. HUSSAIN and CC-1 also added (a) false Schedule A itemized deductions, including false medical expenses and false unreimbursed employee expenses; (b) false education credits; and (c) false Schedule C expenses to HUSSAIN's Liberty Tax clients' income tax returns.

14. As set forth below, HUSSAIN and CC-1 then submitted false tax returns to the IRS that resulted in inflated refunds for HUSSAIN's Liberty Tax clients.

15. Beginning in 2012, HUSSAIN received kickbacks from clients who received artificially inflated tax returns. HUSSAIN received over \$20,000 in kickbacks in tax year 2012.

16. HUSSAIN and CC-1 directed the clients who agreed to pay them a kickback to take their tax refund checks to a neighboring check-cashing store. Once the refund check was cashed, HUSSAIN or CC-1 received a portion of the refund as payment for their role in generating the inflated refund.

OVERT ACTS

17. In furtherance of the conspiracy, and to effect the objects thereof, HUSSAIN and CC-1 prepared or assisted in the preparation of the following tax returns of the Liberty Tax clients stated below (referred to by their initials) in the Northern District of Ohio, and elsewhere:

	Taxpayer	Tax Year	Filing Date	Refund Claimed	Refund Received	False Entries
a.	A.B.	2011	2/28/2012	\$4,769	\$4,769	Line 62 – Inflated Federal Income Tax Withholdings from Form W-2. Line 66 – American Opportunity Credit.
b.	A.J.	2011	8/11/2012	\$1,429	\$1,429	Line 7 – Fictitious Form W-2. Line 62 – Fictitious Federal Income Tax Withholdings from Form W-2.
c.	G.H.	2011	3/5/2013	\$5,315	\$5,315	Line 40 – False Schedule A containing fictitious cash gift.
d.	H.V.	2011	3/15/2012	\$5,757	\$5,757	Line 12 – False Schedule C containing fictitious business expenses and income. Line 64a – Earned Income Credit. Line 66 – American Opportunity Credit.
e.	S.N.	2011	3/13/2012	\$7,680	\$7,510.73	Line 7 – Inflated Wages from Fictitious Form W-2. Line 62 – Inflated Federal Income Tax Withholdings from Fictitious Form W-2. Line 40 – False Schedule A containing fictitious medical expenses and unreimbursed employee expenses.

	Taxpayer	Tax Year	Filing Date	Refund Claimed	Refund Received	False Entries
f.	S.N.	2011	8/4/2012	\$1,110	\$1,110	Line 7 – Inflated Wages from Fictitious Form W-2. Line 62 – Inflated Federal Income Tax Withholdings from Fictitious Form W-2.
g.	T.H.2	2011	3/12/2012	\$4,487	\$4,561	Line 40 – False Schedule A containing fictitious medical expenses and unreimbursed employee expenses. Line 66 – American Opportunity Credit
h.	A.B.	2012	3/9/2013	\$7,169	\$7,169	Line 62 – Inflated Federal Income Tax Withholdings from Form W-2.
i.	A.G.	2012	3/4/2013	\$7,085	\$7,085	Line 62 – Inflated Federal Income Tax Withholdings from Form W-2. Line 40 – False Schedule A containing fictitious medical expenses & unreimbursed employee expenses.
j.	A.H.	2012	2/28/2013	\$8,509	\$9,169.84	Line 7 – Fictitious W-2. Line 62 – Fictitious Federal Income Tax Withholdings from Form W-2. Line 64a – Earned Income Credit.
k.	A.J.	2012	2/28/2013	\$6,459	\$6,459	Line 7 – Fictitious W-2. Line 62 – Fictitious Federal Income Tax Withholdings from Form W-2. Line 64a – Earned Income Credit.
l.	D.B. & A. B.	2012	4/20/13	\$8,655	\$8,655	Line 40 – False Schedule A containing fictitious medical expenses & unreimbursed employee expenses.

	Taxpayer	Tax Year	Filing Date	Refund Claimed	Refund Received	False Entries
m.	G.H.	2012	3/7/2013	\$7,082	\$7,082	Line 31a – Inflated Alimony Paid. Line 62 – Inflated Federal Income Tax Withholdings from Form W-2. Line 40 – False Schedule A containing fictitious medical expenses & unreimbursed employee.
n.	H.V.	2012	3/9/2013	\$8,657	0	Line 12 – False Schedule C containing fictitious business expenses and income Line 64a – Earned Income Credit
o.	G.P. & Y.P.	2012	3/27/2013	\$7,016	\$7,016	Line 62 – Inflated Federal Income Tax Withholdings from Form W-2. Line 40 – False Schedule A containing fictitious medical expenses.
p.	J.G. & J. G.	2012	3/21/2013	\$9,018	\$9,119.37	Line 62 – Inflated Federal Income Tax Withholdings from Form W-2. Line 40 – False Schedule A containing fictitious medical expenses. Line 66 – American Opportunity Credit.
q.	K.S. & S.S.	2012	3/21/2013	\$12,554	\$12,554	Line 62 – Inflated Federal Income Tax Withholdings from Form W-2. Line 40 – False Schedule A containing fictitious medical expenses & unreimbursed employee expenses.

	Taxpayer	Tax Year	Filing Date	Refund Claimed	Refund Received	False Entries
r.	M.K. & V.K.	2012	3/21/2013	\$8,908	\$8,908	Line 40 – False Schedule A containing fictitious medical expenses.
s.	N.L.	2012	3/30/2013	\$2,961	\$2,453.43	Line 12 – False Schedule C containing fictitious business expenses. Line 62 – Fictitious Federal Income Tax Withholdings from a Form 1099.
t.	S.N.	2012	3/21/2013	\$11,300	\$9,732.96	Line 7 – Inflated Wages from Fictitious Form W-2. Line 62 – Inflated Federal Income Tax Withholdings from Fictitious Form W-2. Line 40 – False Schedule A containing fictitious medical expenses and unreimbursed employee expenses.
u.	S.N.	2012	5/11/2013	\$5,971	\$2,802	Line 6c – Fictitious dependent. Line 7 – Inflated Wages from Fictitious Form W-2. Line 62 – Inflated Federal Income Tax Withholdings from Fictitious Form W-2.
v.	T.H.	2012	3/8/2013	\$5,684	\$5,684	Line 62 – Inflated Federal Income Tax Withholdings from Form W-2. Line 40 – False Schedule A containing fictitious medical expenses.
w.	T.H.2	2012	4/10/2013	\$4,487	\$3,198.01	Line 7 - Unreported Income. Lines 40 & 66 – False Schedule A, medical expenses and American Opportunity Credit.

	Taxpayer	Tax Year	Filing Date	Refund Claimed	Refund Received	False Entries
x.	A.G.	2013	3/8/2014	\$7,835	\$7,835	Line 62 – Inflated Federal Income Tax Withholdings from Form W-2. Line 40 – False Schedule A containing fictitious medical expenses & unreimbursed employee expenses. Line 66 – False American Opportunity Credit.
y.	A.J.	2013	3/14/2014	\$6,103	0	Line 7 – Fictitious Form W-2. Line 62 – Fictitious Federal Income Tax Withholdings from Form W-2 Line. 64a – Earned Income Credit. Line 65 – Additional Child Tax Credit. Line 66 – American Opportunity Credit.
z.	D.B. & A. B.	2013	4/2/2014	\$7,164	\$7,943.58	Line 40 – False Schedule A containing fictitious medical expenses, unreimbursed employee expenses and cash gifts
aa.	D.G.	2013	3/8/2014	\$7,659	\$384	Line 12 – False Schedule C containing fictitious business expenses. Line 62 – Fictitious Federal Income Tax Withholdings from a Form 1099.
bb.	G.H.	2013	3/7/2014	\$7,463	\$7,463	Line 31a – Inflated Alimony Paid. Line 40 – False Schedule A containing fictitious medical expenses.

	Taxpayer	Tax Year	Filing Date	Refund Claimed	Refund Received	False Entries
cc.	G.P. & Y.P.	2013	3/19/2014	\$5,759	\$5,759	Line 62 – Inflated Federal Income Tax Withholdings from Form W-2. Line 40 – False Schedule A containing fictitious medical expenses & inflated mortgage interest.
dd.	K.S. & S.S.	2013	3/13/2014	\$8,242	\$8,242	Line 62 – Inflated Federal Income Tax Withholdings from Form W-2. Line 40 – False Schedule A containing fictitious medical expenses & unreimbursed employee expenses.
ee.	S.N.	2013	3/17/2014	\$8,363	\$8,363	Line 7 – Inflated Wages from Fictitious Form W-2. Line 40 – False Schedule A containing fictitious medical expenses and unreimbursed employee expenses.
ff.	T.H.2	2013	3/11/2014	\$4,066	\$4,066	Line 7 – Unreported Income. Line 66 – American Opportunity Credit.

All in violation of violation of Title 18, United States Code, Section 371.

COUNTS 2-4

(Aiding and Assisting in the Preparation and Presentation of a False and Fraudulent Return, Statement, or Other Document, 26 U.S.C. § 7206(2))

The United States Attorney further charges:

18. The factual allegations in paragraphs 1 through 5 of the General Allegations are re-alleged and incorporated by reference in this count, as though fully restated herein.

19. On or about the dates stated below, in the Northern District of Ohio, Defendant TOWHIDUL HUSSAIN did willfully aid and assist in, and procure, counsel, and advise the

preparation and presentation to the Internal Revenue Service, of tax returns, on Form 1040, U.S. Individual Income Tax Return, of his Liberty Tax clients stated below (referred to by their initials), for the calendar years stated below, each of which was false and fraudulent as to a material matter, in that, as the Defendant well knew and believed at the time the return was prepared and presented to the Internal Revenue Service, (a) each said return reported fictitious or falsely inflated credits, withholdings, or Schedules, and (b) each said return claimed a tax refund that was false in its entirety or was falsely inflated, as set forth below in Counts 2 through 4.

Count	Client	Year	Form	Date	Refund claimed on False Return	Correct Refund	Tax Payment Owing
2	H.V.	2011	1040	3/15/2012	\$5,757.00	\$3,031.00	\$2,726.00
3	H.V.	2012	1040	3/9/2013	\$8,657.00	\$291.00	\$8,366.0
4	G.P. & Y.P.	2013	1040	3/19/2014	\$5,759.00	\$3,612.00	\$2,147.00

All in violation of Title 26, United States Code, Section 7206(2).

STEVEN M. DETTELBACH
United States Attorney

By: Ann C. Rowland
ANN C. ROWLAND
Chief, Major Fraud & Corruption Unit